



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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Legislative Fiscal Analyst  
CLAYTON SCHENCK

DATE: March 17, 2006

TO: Legislative Finance Committee

FROM: Pat Gervais, Senior Fiscal Analyst *PTG by Jon Moe*

RE: Corrections Request for Fiscal Year Transfer – Supplemental

The Legislative Fiscal Division (LFD) has received notification requesting Legislative Finance Committee (LFC) review and comment on a proposed supplemental appropriation need and transfer of appropriation authority from FY 2007 to FY 2006 for the Department of Corrections (DOC). This memo highlights information and potential issues identified by LFD staff based upon preliminary review of the information received from the Office of Budget and Program Planning (OBPP) and DOC.

### SUMMARY OF THE REQUEST

The DOC requests a transfer of \$11.5 million of appropriation authority from FY 2007 to FY 2006. The total cost overruns for the department for FY 2006 are estimated to be about \$13 million. However, the department plans to transfer \$1.5 million of unexpended Juvenile Delinquency Intervention Program (JDIP) funds to secure care to offset the cost overruns, reducing the requested supplemental to \$11.5 million. The following table summarizes the list of items the department indicates are contributing to the cost overrun. As the table illustrates, four items: population costs overages, vacancy savings, secure care over time, and negotiated bargaining unit increases, comprise 76 percent of the projected cost overrun.

Department of Corrections FY 2006 Budget Overages (As provided by OBPP)			
Item:	Dollars	Percent of Total	Cumulative
Population Cost Overage	\$6,356,829	49%	49%
Vacancy Savings	1,947,142	15%	64%
Secure Facilities Overtime	902,940	7%	71%
Negotiated Bargaining Unit Raises	737,000	6%	76%
Outside Medical Increases	670,860	5%	81%
Utility Increases	491,082	4%	85%
IT Upgrades/Replacements	458,914	4%	89%
Increases in Contracts	390,000	3%	92%
Extraditions and Transports	296,650	2%	94%
Legal Settlements	188,000	1%	95%
MSP Uniforms/mattress replacements	155,000	1%	97%
P & P CD Contract Increases	130,000	1%	98%
Probation and Parole Modified FTE	129,232	1%	99%
Cannery	100,000	1%	99%
Annex Building Rent	92,000	1%	100%
Total	<u>\$13,045,649</u>	<u>100%</u>	
Offset - JDIP Funds	1,500,000.0	11%	
Requested Transfer from FY 2007 to FY 2006 Appropriations	<u>\$11,545,649</u>	<u>89%</u>	

Given that DOC is in a cost overrun situation, the LFC may wish to question the necessity of funding items such as the cannery, additional office space, contract cost of living increases, unbudgeted rate increases, and additional modified FTE as items that contribute to the size of the cost overrun. While some of these items may result in lower costs as compared to the costs of secure care, it is difficult to identify any actions that are being taken to reduce the overall system costs through reduction in the number of offenders entering the system or increases in the number of offenders exiting the system.

## POTENTIAL ISSUES

Based upon preliminary review, LFD staff has identified the following issues for further analysis:

- The request for supplemental appropriation and transfer of funds from FY 2007 to FY 2006 appears unnecessary because the legislative appropriation for secure care contained in the General Appropriations Act (HB 2) is a biennial appropriation and can be expended in either year of the biennium. Additionally, the department may move this funding among programs as provided in statute since the appropriation for secure care is not restricted.
- While the department has provided a list of cost containment measures they will use to mitigate the supplemental appropriation need, as of this writing LFD staff has not received information indicating the amount of savings that is expected as a result of implementing these measures. Information provided by the department gives no indication that these measures will reduce spending in the second year of the biennium to

a level that will maintain expenditures within the biennial appropriation level as is required by statute (17-7-301, MCA).

## **SUMMARY**

The DOC anticipates a FY 2006 cost overrun of about \$13 million and plans to utilize unexpended JDIP funds to reduce the cost overrun to about \$11.5 million. The OBPP has submitted for LFC review and comment, a request to transfer \$11.5 million of appropriation authority from FY 2007 to FY 2006. However, LFD staff believe this transfer is unnecessary because funding for secure care was appropriated as an unrestricted biennial appropriation.

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## MEMORANDUM

February 17, 2006

**TO:** Brent Doig, Senior Budget Analyst  
Office of Budget and Program Planning

**FROM:** Rhonda Schaffer, Fiscal Bureau Chief  
Department of Corrections

**SUBJECT:** Supplemental mitigation

The Department of Corrections Management Team met on Tuesday and discussed the supplemental mitigation as requested by the budget office. As you know our secure facility beds are over capacity and the community correction placements are full at this time. It is important to note that the Management Team is working very hard in order to mitigate costs where they can. However, it is very difficult to contain costs in a system that is spilling over the bed capacity. The following measures will be utilized to assist with the supplemental situation:

- 1) Freeze all out of state general fund travel.
- 2) Freeze all purchases except those that relate directly to safety and security.
- 3) Implementation of the START program.
- 4) Continue conservation efforts regarding natural gas and electricity usage.
- 5) Freeze all office space expansions – new staff will share current space.
- 6) New probation & parole officers to maintain more offenders in the community.
- 7) Contracted substance abuse counselors will be required to provide their own computer equipment.
- 8) Further the use of video conference for offender court appearances and departmental meetings. This will assist in fewer travel costs.
- 9) Work closer with MBCC to acquire federal funding.
- 10) Continue to pursue the option of leasing computer equipment instead of purchasing for the 25% replacement as required in policy.
- 11) Continue carpooling efforts.
- 12) Work for additional direct placements to conditional release in order to open up more prerelease beds.

Let me know if you have any questions.

**Cc:** Bill Slaughter, Director  
Bob Anez, Communications Director  
Jo Acton, Warden MWP  
Gayle Lambert, Administrator MCE  
Mike Mahoney, Warden MSP  
Steve Barry, Administrator HR  
Steve Gibson, Administrator Youth Services  
Mike Ferriter, Administrator Community Corrections  
Diana Koch, Chief Legal Counsel

**Montana Department of Corrections**  
**Breakdown of FY 06 Budget Overages**  
**Prepared January 31st, 2006**

Location	FY 06 Budgeted ADP	FY 06 Projected ADP	(Over) Under	Variable Rate (Over)/Under	Fixed Rate (Over)/Under
MSP	1,525	1,417	108	\$0	\$0
TSCTC	57	54	3	\$0	\$3
MWP	205	213	(8)	\$0	\$0
ICP	12	14	(2)	\$0	\$0
P & P	7,279	7,710	(431)	(\$129,232)	\$0
ISP	280	323	(43)	\$0	\$0
WATCH	140	146	(6)	\$0	(\$650,530)
Revocation	0	44	(44)	\$0	(\$1,071,202)
PRC	790	836	(46)	\$0	(\$552,177)
Dawson	144	143	1	\$0	(\$55,520)
Cascade	152	152	0	\$0	(\$32,212)
Missoula	144	134	10	\$0	\$163,374
CCA	472	507	(35)	\$0	(\$1,793,057)
County Jails	89	196	(107)	\$0	(\$2,365,508)
<b>Totals</b>	<b>11,289</b>	<b>11,889</b>	<b>(600)</b>	<b>(\$129,232)</b>	<b>(\$6,356,829)</b>

1	Probation and Parole Mod FTE	(\$129,232)
2	Population Cost Overage	(\$6,356,829)
3	Vacancy Savings	(\$1,947,142)
4	IT Upgrades/Replacements*	(\$458,914)
5	Outside Medical Increases	(\$670,860)
6	Secure Facilities Overtime	(\$902,940)
7	Negotated Bargaining Unit Raises	(\$737,000)
8	Utility Increases	(\$491,082)
9	Increase in contracts**	(\$390,000)
10	Legal Settlements	(\$188,000)
11	Cannery	(\$100,000)
12	Extraditions and Transports ***	(\$296,650)
13	P & P CD Contract Increases	(\$130,000)
14	Annex Building Rent	(\$92,000)
15	MSP uniforms/mattress replaceme	(\$155,000)

**Total Shortage** **(\$13,045,649)**

Move Placement funds to Pgm 3 \$1,500,000

**Remaining Shortage** **(\$11,545,649)**

\* IT upgrades include computer, printer, firewall, server replacements per ITSD policy.

\*\*Contract increases are non-perdiem contract increases in nursing and medical services.

\*\*\*Extradition liabilities were transferred to Corrections in FY 06, only appropriated \$243,724

## NOTES

### **1 Probation and Parole Modified FTE**

Budget Office approved use of 8.00 Modified FTE FY 06 and 4.00 modified FTE FY 07

### **2 Population Cost Overage**

Compared to the October supplemental numbers, the population has decreased some. The cost of rate increases is \$401,637 for pre-release, \$527,408 for Watch, \$119,378 Regional prison. The total given over budget for per diem increases is \$1,048,423. NOTE - Watch East was budgeted at 51.45 instead of 89.62, rate was not negotiated during last session. The remaining balance is for bed increases \$150,540 for pre-release, \$123,122 Watch, \$3,963,542 regional/private prisons and county jails. And \$1,071,202 for the START program. Total of \$5,308,406 in bed increases.

### **3 Vacancy Savings**

DOC has been unable to meet vacancy savings in any program. All FTE are needed at this point to keep up with managing the increasing population.

### **4 IT Upgrades.**

This includes replacement items such as failing servers, computers that are no longer supportable. Firewall upgrades, printer replacements and software upgrades. These upgrades were put off in recent years because of budget shortfalls, however, DOC finally reached a point where these IT replacements were necessary to be in compliance with DOA guidelines/policies.

### **5 Outside Medical Increases**

Outside medical services continue to be a problem. Medical services can be highly unpredictable because it is based on the needs of the inmates. This FY there has been an abundance of medical needs that lead to increased expenses for DOC particularly at MSP where the sickest of the population reside. Because MSP does not have a full time physician, it has led to increase medical tests offsite and increase hospital visits.

### **6 Secure facilities Overtime**

Overtime at Montana State Prison and Montana Women's Prison is projected to be over budget by \$902,940. Overtime is a requirement to keep 24 x 7 facilities in operation. Staff are required to cover each post each shift. Overtime also includes holiday worked time. In addition, the increase in CO wages has lead to compounded expenses in overtime.

### **7 Negotiated Bargaining Unit Raises**

Correctional Officers now start at 12.00 an hour where it was historically 10.68. P & P officers now start at 14.68 where it was 13.20. All bargaining units at DOC now have a 5 year market plan where employees are able to make it to market by 5 years.

### **8 Utility Increases**

Utility increases have been a downfall for all facilities. Montana State Prison, Montana Women's Prison, Pine Hills Youth Correctional Facility, Riverside Youth Correctional Facility and Treasure State Correctional Facility.

### **9 Contract Increases**

There has been a substantial increases in contracts for DOC in general. Providers require a cost of living increase, but at the same time DOC was not given additional funding to cover those increases. This cost is specifically for Saints Nursing locum tenums and the U of M study for pre-release centers.

#### **10 Legal Settlements**

These legal settlements are due to ex-employee settlements.

#### **11 Cannery**

DOC agreed to assist the Cannery so they are able to stay in operation.

#### **12 Extraditions/Transports**

In FY 06, DOC became the fiscal responsibility for Montana extraditions. The Governor's Office transferred \$243,724 for assisting in transports, however just the contract for maintaining instate transportation alone is approx \$383,130. This still leaves out of state extraditions that generally cost approx \$4,000 each.

#### **13 P & P CD Contracts**

Probation and Parole was authorized by the Governor's Budget Office an additional \$130,000 for Chemical Dependency contracts in FY 06. Those contracts are under revision and those funds are expected to be fully expended this FY.

#### **14 Annex Building Rent**

DOC central office was expanded to office space adjacent to the main building. This is due partly to consistent mold and ventilation issues.

#### **15 MSP Uniforms/Mattress Replacements**

Montana State Prison negotiated a new uniform with the union. This uniform is intended to be cheaper and easier to maintain in the long run and lighter to wear. MSP also replaced 1/4 of their mattresses due health and security issues related to wear and tear.

#### **Notes:**

MSP was given \$2.8 million in FY 06 to open the revocation center at the old reception unit. MSP was also given a 4.30 FTE mandated reduction that amounted to \$219,342. Out of the 2.8 million, \$1 million was given to get the prison up to the staffing they need. The remaining balance has been used to supply the old reception unit to get the unit open as Unit E. MSP has a variety of medical contracts that increases, particularly keeping contracted doctors on staff. Those increases have more than adjusted for the increase in budget that wasn't use to open the old reception unit.